



Senate

General Assembly

February Session, 2018

File No. 296

Senate Bill No. 395

Senate, April 5, 2018

The Committee on Banking reported through SEN. WINFIELD of the 10th Dist. and SEN. MARTIN of the 31st Dist., Chairpersons of the Committee on the part of the Senate, that the bill ought to pass.

AN ACT CONCERNING PROTECTIONS FOR CONSUMERS APPLYING FOR REVERSE MORTGAGES.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2018*) (a) No entity, including,
2 but not limited to, any Connecticut bank or Connecticut credit union,
3 as defined in section 36a-2 of the general statutes, shall accept a final
4 and complete application for a reverse annuity mortgage loan, as
5 defined in section 36a-265 of the general statutes, or assess any fees for
6 such mortgage, unless such entity has:

7 (1) (A) Informed the prospective applicant of the counseling
8 requirement in subdivision (2) of this subsection, and (B) provided the
9 prospective applicant with a list of at least five independent housing
10 counseling agencies approved by the United States Department of
11 Housing and Urban Development to engage in reverse annuity
12 mortgage loan counseling, as provided in 24 CFR 206.300 et seq., as
13 amended from time to time. No such counseling agency shall receive

14 any compensation, either directly or indirectly, from the lender or from
15 any other person or entity involved in originating or servicing the loan;

16 (2) Received a certification signed by (A) the prospective applicant
17 or the prospective applicant's authorized representative, and (B) a
18 counselor from an independent housing counseling agency, as
19 described in subdivision (1) of this subsection, that the applicant has
20 received reverse annuity mortgage loan counseling from such
21 counselor. Such certification shall (i) specify whether the counseling
22 session was conducted in person or by telephone, and (ii) include the
23 date of the counseling session, and the name, address and telephone
24 number of both the applicant and the counselor;

25 (3) Received a certification of the reverse annuity mortgage loan
26 origination signed by (A) the prospective applicant or the prospective
27 applicant's authorized representative, and (B) the reverse annuity
28 mortgage loan originator. Such certification shall (i) specify whether
29 such origination was conducted in person or by telephone, and (ii)
30 include the date of the loan origination meeting, and the name,
31 address and telephone number of both the prospective applicant and
32 the loan originator; and

33 (4) Received a certification pursuant to subdivision (2) or (3) of this
34 subsection that indicates either: (A) The reverse annuity mortgage loan
35 counseling session, or (B) the reverse annuity mortgage loan
36 origination was conducted in person.

37 (b) The lender shall maintain any certification described in
38 subsection (a) of this section in an accurate, reproducible and
39 accessible format for the term of the reverse annuity mortgage loan.

40 (c) A violation of the provisions of this section shall be deemed an
41 unfair or deceptive act or practice in the conduct of trade or commerce
42 pursuant to subsection (a) of section 42-110b of the general statutes.

This act shall take effect as follows and shall amend the following sections:

Section 1	<i>October 1, 2018</i>	New section
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BA *Joint Favorable*

The following Fiscal Impact Statement and Bill Analysis are prepared for the benefit of the members of the General Assembly, solely for purposes of information, summarization and explanation and do not represent the intent of the General Assembly or either chamber thereof for any purpose. In general, fiscal impacts are based upon a variety of informational sources, including the analyst's professional knowledge. Whenever applicable, agency data is consulted as part of the analysis, however final products do not necessarily reflect an assessment from any specific department.

OFA Fiscal Note***State Impact:*** None***Municipal Impact:*** None***Explanation***

The bill expands requirements for reverse annuity mortgages by adding protections for consumers. It is anticipated that there will be few complaints regarding reverse annuity mortgages to be acted upon by the Department of Banking and, therefore, the bill is not anticipated to result in a fiscal impact to the state.

The Out Years***State Impact:*** None***Municipal Impact:*** None

OLR Bill Analysis**SB 395*****AN ACT CONCERNING PROTECTIONS FOR CONSUMERS
APPLYING FOR REVERSE MORTGAGES.*****SUMMARY**

This bill establishes counseling and loan origination requirements that must be met before any entity, including a Connecticut bank or credit union, may accept a final and complete reverse annuity mortgage loan application or assess any fees for the mortgage. A reverse annuity mortgage allows homeowners to convert accumulated home equity into liquid assets.

The bill prohibits a reverse mortgage lender, originator, or loan servicer from compensating counseling agencies, directly or indirectly. It also requires the lenders to receive and store signed certifications from the borrower or his or her authorized representative documenting that the counseling and origination requirements were met.

A violation of the bill's requirements is an unfair trade practice (see BACKGROUND).

EFFECTIVE DATE: October 1, 2018

COUNSELING AND ORIGATION REQUIREMENTS

The bill requires reverse mortgage lenders to inform prospective applicants of the counseling requirement and provide them with a list of at least five independent housing counseling agencies approved by the U.S. Department of Housing and Urban Development (HUD) (see BACKGROUND).

The lenders must receive signed certifications from the prospective applicant or his or her authorized representative that:

1. he or she received counseling from a HUD-approved counselor,
2. he or she participated in a mortgage loan origination meeting, and
3. either the loan origination or counseling was done in person.

Under the bill, the counseling and loan origination certifications must be signed by the prospective applicant or the applicant's authorized representative and the counselor or originator, as applicable. They must (1) include the counseling session's or origination meeting's date and the name, address, and telephone number of both the applicant and counselor or originator and (2) specify whether the session or meeting was done in person or by telephone.

The lender must keep the certifications in an accurate, reproducible, and accessible format for the term of the loan.

BACKGROUND

Related Bill

SB 150, reported favorably by the Aging Committee, sets similar counseling and certification requirements.

Related Federal Laws

Federal regulation requires HUD to establish and maintain a list of reverse mortgage counselors, who must meet specified qualifications (24 C.F.R. 206.300 *et seq.*). Under federal law, qualified reverse mortgage counselors must discuss certain information with prospective borrowers, including:

1. other options available to the homeowner;
2. the financial implications of entering into a reverse mortgage;
3. a disclosure that a reverse mortgage may have tax consequences, affecting eligibility for assistance under federal and state programs, and have an impact on the homeowner's estate and

heirs; and

4. the requirement that a non-borrowing spouse obtain ownership of the property or other legal right to remain in the house after the death of the last surviving mortgagor (12 U.S.C. § 1715z-20(f) and HUD Mortgagee Letter 2014-07).

Connecticut Unfair Trade Practices Act

The law prohibits businesses from engaging in unfair and deceptive acts or practices. CUTPA allows the consumer protection commissioner to issue regulations defining what constitutes an unfair trade practice, investigate complaints, issue cease and desist orders, order restitution in cases involving less than \$10,000, enter into consent agreements, ask the attorney general to seek injunctive relief, and accept voluntary statements of compliance. It also allows individuals to sue. Courts may issue restraining orders; award actual and punitive damages, costs, and reasonable attorney's fees; and impose civil penalties of up to \$5,000 for willful violations and \$25,000 for violation of a restraining order.

COMMITTEE ACTION

Banking Committee

Joint Favorable

Yea 19 Nay 0 (03/20/2018)